

County Responses

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GILA COUNTY
BOARD OF SUPERVISORS
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John F. Nelson, County Manager
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October 31, 2003

Ms. Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

The accompanying corrective action plan for the year ended June 30, 2002 has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for each audit finding included in the current year's schedule of findings and questioned costs.

Sincerely,

John F. Nelson
County Manager/Administrator

**Gila County
Corrective Action Plan
June 30, 2002**

Financial Statement Findings

Finding No. 02-01

The County's General Fixed Assets System of Accountability Is Inadequate

Contact Person: Don White, Manager Purchasing

Phone Number: 928-473-7659

Anticipated Completion Date: Completed May 7, 2002

On May 7, 2002, Procurement Policy and Procedures were adopted by Gila County's Board of Supervisors. The adopted Procurement Policy and Procedures consists of Article 1.0 Purchasing Procedures and Article 2.0 Material Management Procedures. These procedures became effective July 1, 2002.

Article 2.0, Material Management Procedures, addresses the issues stated above effective July 1, 2002. Gila County will maintain a complete and accurate listing of capitalized land, buildings, improvements, and machinery and equipment and related costs excluding expenditures for repair and maintenance. In addition, documentation supporting the recorded costs of such assets will be retained for three years after the asset's disposal date. Also, the County will reconcile its fixed assets listing to the general ledger, prior year balances, and current year balances, and capital outlay expenditures to capitalized additions, annually.

Finding No. 02-02

Interfund Receivables and Payables

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: December 31, 2003

We are in the process of identifying those funds that have available cash to payback their interfund payables. The goal is to remove chronic outstanding Interfund Receivables and Payables that seem to carry over from year to year by December 31, 2003.

Finding No. 02-03

Internal Controls over Cash Receipts and Account Receivables

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: March 31, 2004

Cash Receipt Procedures — Those departments identified as having Cash Receipt Procedure deficiencies are to be interviewed to determine how cash is received, handled, deposited, and transferred. Based on this information, a Cash Receipt Procedure will be documented, distributed, and discussed with those departments that receive cash. This endeavor should be completed by March 31, 2004.

**Gila County
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Finding No. 02-03 – Continued

Accounting for Receivables — Gila County uses the modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. Under the modified accrual basis of accounting, amounts are recognized as revenue when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period. Revenues are only recognized under modified accrual accounting to the degree that they are available to finance expenditures of the fiscal period.

Gila County implements an accrual process whereby revenues received within 60 days after June 30 that can be identified to the year just ended are recognized as a receivable in the year just ended. This receivable is necessary as the Treasurer's books are closed the end of June so deposits made after June 30 can only be recognized as a receivable. This receivable is in name only as the monies are received prior to a receivable being recognized. This is in accordance with the modified accrual basis of accounting whereby revenue is recognized as earned, only so long as they are collectible soon enough after the year just ended. Gila County records receivables for the recognition of revenue at year-end only when monies have actually been collected within 60 days of the year-end. Since the recording of a receivable is after monies have been received, receivables do not need to be analyzed and adjusted for uncollectible amounts at year-end.

Account for and Safeguard Cash — See the responses above to ***Cash Receipt Procedures*** and ***Accounting for Receivables***.

Finding No. 02-04

Chart of Account Structure

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: When Funding/Resources Becomes Available

Changing the Chart of Account structure is a priority. However, this priority is overshadowed by the lack of available resources to effectively implement this recommended change. Be assured that when resources become available to address issues other than the basic necessities required by County Governments, the Chart of Accounts will be restructured as recommended.

To implement this recommendation would require cooperation from all departments involved and require additional County resources. Over the past 20 years, the three major industries in Gila County, Copper, Timber, and Cattle, have been reduced to a fraction of what was generated in revenue to Gila County. This reduction was manifested primarily from environmental consideration and to a lesser extent the impact of a World Economy. Due to the lack of resources available to Gila County through the reduction of the three major industries, departments have been tasked to provide basic County Governmental services with less. Departments' having a lack of adequate resources to provide just the basic services has become the norm not the exception.

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Finding No. 02-05

Account Analysis and Reconciliation

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: Partially Completed with Full Completion June 30, 2004

We have been performing account analysis and reconciliations on a monthly basis for the following balance sheet accounts: Cash on Deposit with Treasurer, Outstanding Expense Warrants and Outstanding Payroll Warrants.

The recommendation of timely reconciliation of all balance sheet accounts will be tempered by Gila County's lack of available resources. We will perform account analyses and reconciliations of all balance sheet accounts a minimum of twice during the fiscal year.

Federal Award Findings

I. U.S. Department of Justice

Passed through the Arizona Criminal Justice Commission

Byrne Formula Grant Program

Contract No. AC-110-02

CFDA No. 16.579

Grant Period: July 1, 2001 – June 30, 2002

Questioned Costs: None

II. U.S. Department of Labor

Passed through the Arizona Department of Economic Security

Workforce Investment Act

Contract No. Various

CFDA No. 17.255, 17.258, 17.259 and 17.260

Grant Period: Various

Questioned Costs: None

III. U.S. Department of Health and Human Services

Passed through the Arizona Department of Economic Security

Child Support Enforcement

Contract No. E7203007

CFDA No. 93.563

Grant Period: July 1, 2001 – June 30, 2002

Questioned Costs: None

**Gila County
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Finding No. 02-06

**Federal Awards: Byrne Formula Grant Program, Workforce Investment Act, and
Child Support Enforcement**

Timesheets not being Verified by Signature for Hours Worked

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: October 31, 2003

After speaking with Payroll and Personnel employees regarding processing and filing of completed timesheets and reviewing a number of completed timesheets, I was not able to substantiate this finding.

However, we will inform all Gila County employees and immediate supervisors of the continued need to consistently sign timesheets.

Finding No. 02-07

**Federal Awards: Byrne Formula Grant Program, Workforce Investment Act, and
Child Support Enforcement**

Restructure Chart of Accounts and Use of One Accounting System

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: Ongoing and When Resources Become Available.

Restructure Chart of Accounts — see response to Finding No. 02-04 Chart of Account Structure.

Use of One Accounting System — We have provided on numerous occasions guidance, instructions and support to grant program personnel on using financial information from the County's accounting system to complete monthly reports to funding agencies. The County's accounting system is the Official Financial Records from which reports to funding agencies should be based upon.

The departments' use of off-the-shelf accounting software is to be strictly supplemental to provide financial information on a daily basis pertaining to their grants. The reason many if not all departments within Gila County have implemented off-the-shelf accounting software (FoxPro, Quicken, Peachtree, etc.) is for day to day tracking of monies and expenditures. Even though the County's accounting system is the official book of record, day to day financial information is not available. The County's accounting system is outdated (installed in 1986) and unable to provide real-time financial information. The accounting system is functional pertaining to financial information as of a point in time; month end. The Treasurer's transactions are imported into the accounting system once the Treasurer's has closed the books for the month. This import occurs one to two days after month end. Then we process our month end. This occurs approximately three days after month end. An actual fund balance along with all transactions is only available once the month end has been

**Gila County
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Finding No. 02-07 - Continued

closed. This results in the accounting system not being functional regarding real-time financial data. Therefore, departments have implemented off-the-shelf accounting software to provide day to day financial information on which to make decisions as this information is not available with the County's current accounting system.

Purchasing and implementing a state of the art accounting system that could provide real-time access for all departments (read only of course) to see up to the minute financial information when resources are limited would not be considered a prudent use of taxpayers' monies at this time.

We will continue to provide guidance, instructions and support to grant program personnel on using financial information from the County's accounting system to complete monthly reports to funding agencies.

Finding No. 02-08

Federal Award: Child Support Enforcement

Restructure Chart of Accounts and Improved Communications

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: Ongoing and When Resources Become Available

Restructure Chart of Accounts — see response to Finding No. 02-04 Chart of Account Structure.

The finance department's personnel will continue to foster an atmosphere of cooperation and keep open the lines of communication with the respective program's management.

Finding No. 02-09

Federal Award: Child Support Enforcement

Internal Control Procedures to Determine Adequate Health Insurance Coverage

Contact Person: David Patterson, Finance Director

Phone Number: 928-425-3231 ext 8777

Anticipated Completion Date: Ongoing

The personnel who manage this program are responsible for complying with the requirements of the grant. The Finance Department will perform periodic reviews of child support case files for compliance with the grant's requirements for adequate health insurance coverage for the custodial parent and child and when necessary to follow-up on those child support cases determined to be in noncompliance for corrections to bring those case into compliance.

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Finding No. 02-10

Federal Award: Byrne Formula Grant Program
Management Review and Approval of All Expenditures Prior to Incurrence
Contact Person: David Patterson, Finance Director
Phone Number: 928-425-3231 ext 8777
Anticipated Completion Date: Ongoing

The personnel who manage this program are responsible for complying with the requirements of the grant. The Finance Department will perform periodic reviews for compliance with the requirements of the grant for allowable expenditures.

Finding No. 02-11

Federal Award: Byrne Formula Grant Program
Submit Timely Reports to Funding Agency
Contact Person: David Patterson, Finance Director
Phone Number: 928-425-3231 ext 8777
Anticipated Completion Date: Ongoing

We will continue to provide guidance, instructions and support to grant program personnel on using financial information from the County's accounting system to complete monthly reports to the funding agency in a timely manner.